

Actuarial Analysis Summary

BR or Bill Ref.	HB589 (House Committee Sub 1)	Actuarial Analysis Conducted For:
Date:	3/9/2026	<input type="checkbox"/> KERS NH <input type="checkbox"/> KERS Haz <input type="checkbox"/> SPRS <input type="checkbox"/> TRS
Actuary:	GRS	<input type="checkbox"/> CERS NH <input checked="" type="checkbox"/> CERS Haz <input type="checkbox"/> LRP <input type="checkbox"/> JRP

Section I: Executive Summary

In the opinion of the actuary, this bill would make the affected state-administered retirement system(s) actuarially:

MORE SOUND **LESS SOUND** **NO IMPACT**

If actuarially **MORE SOUND OR LESS SOUND**, please summarize the factors leading to the actuary's opinion:

Given the current financial condition of the retirement systems administered by KPPA and the relative ease for a retiree to seek reemployment and continue to receive their retirement benefit, we recommend the retirement systems continue collecting the full employer contribution rate on the payroll of reemployed retirees. However, since a reemployed retiree is no longer earning benefits in the System (i.e. not incurring a normal cost), it would be financially neutral to the System if the employer only contributed the unfunded accrued liability (UAAL) amortization cost portion of the total certified contribution rate.

Currently, the normal cost rates are less than the UAAL amortization rates for the pension funds. Therefore, receiving a contribution rate that is less than the UAAL amortization rate, as provided in this version of the proposed legislation, would increase the financial burden on the remaining employers in the System. In other words, since the full amortization cost would no longer be paid on the payroll of the covered positions held by the reemployed firefighters, these contributions would be spread over the payroll of the remaining employers.

For the CERS hazardous fund, this would result in an approximate increase of 0.16% of pay in the employer contribution rate for every \$10 million in reemployed retiree firefighter payroll (or approximately 125 firefighter positions) affected by the legislation. In fiscal year 2025, there were 112 reemployed retirees in firefighter positions in CERS.

Does this bill increase or decrease employer costs? **INCREASE** **DECREASE** **NO IMPACT**

Does this bill increase or decrease benefits? **INCREASE** **DECREASE** **NO IMPACT**

Does this bill increase or decrease benefit participation? **INCREASE** **DECREASE** **NO IMPACT**

If the bill impacts employer costs, benefits, or benefit participation, please explain and estimate the impact in Sections II and VI.

Section II: Financial Projections

	Combined Pension and Retiree Health Plan					
	CERS Hazardous*		N/A		N/A	
	Current	Proposed	Current	Proposed	Current	Proposed
Projected Employer Cost* (\$ in Millions)						
30-Yr Nominal \$	\$8,281	\$8,281	N/A	N/A	N/A	N/A
30-Yr Net Present Value \$	\$3,823	\$3,823	N/A	N/A	N/A	N/A
Proj. Normal Cost for New Hire	8.11% of pay	8.11% of pay	N/A	N/A	N/A	N/A

*Projected costs are for all employers and all fund sources for entire 30-year period.

Proj. normal cost is the normal cost for new hires after subtracting employee contributions.

	Pension Plan					
	CERS Hazardous		N/A		N/A	
	Current	Proposed	Current	Proposed	Current	Proposed
Projected UAL (\$ in Millions)						
Baseline (Year 1)	\$2,709	\$2,709	N/A	N/A	N/A	N/A
5 Years	\$2,363	\$2,363	N/A	N/A	N/A	N/A
10 Years	\$2,162	\$2,162	N/A	N/A	N/A	N/A
20 Years	\$1,182	\$1,182	N/A	N/A	N/A	N/A
30 Years	\$0	\$0	N/A	N/A	N/A	N/A
Projected Funding Ratio (%)						
Baseline (Year 1)	57%	57%	N/A	N/A	N/A	N/A
5 Years	66%	66%	N/A	N/A	N/A	N/A
10 Years	73%	73%	N/A	N/A	N/A	N/A
20 Years	89%	89%	N/A	N/A	N/A	N/A
30 Years	100%	100%	N/A	N/A	N/A	N/A

	Retiree Health Plan					
	CERS Hazardous		N/A		N/A	
	Current	Proposed	Current	Proposed	Current	Proposed
Projected UAL (\$ in Millions)						
Baseline (Year 1)	\$177	\$177	N/A	N/A	N/A	N/A
5 Years	\$86	\$86	N/A	N/A	N/A	N/A
10 Years	\$131	\$131	N/A	N/A	N/A	N/A
20 Years	\$158	\$158	N/A	N/A	N/A	N/A
30 Years	\$0	\$0	N/A	N/A	N/A	N/A
Projected Funding Ratio (%)						
Baseline (Year 1)	91%	91%	N/A	N/A	N/A	N/A
5 Years	96%	96%	N/A	N/A	N/A	N/A
10 Years	94%	94%	N/A	N/A	N/A	N/A
20 Years	93%	93%	N/A	N/A	N/A	N/A
30 Years	100%	100%	N/A	N/A	N/A	N/A

Section III: Brief Summary of Bill

The proposed legislation allows an employer to hire individuals as firefighters who have retired from the Kentucky Employees Retirement System (KERS), the County Employees Retirement System (CERS), or the State Police Retirement System (SPRS). These reemployed retirees would continue to receive all retirement and insurance benefits under the applicable retirement system, and they would not accrue any additional benefits for their employment.

The employer would only pay the normal cost contributions on the payroll of the reemployed retirees. Under current statutes, employers would be required to pay the full employer contribution rates.

Section IV: Statement of Assumptions and Methods

Did the analysis rely solely upon the same assumptions & methods previously established and utilized by the actuary in the retirement system's most recent actuarial valuation?

YES NO

If NO, please describe each new assumption or method utilized, the basis for selecting the revised assumption or method, and whether each new assumption or method increased or decreased projected employer costs:

N/A

Section V: Comment from Actuary

Firefighters in KERS are employed under the Department of Military Affairs. The employers eligible under the proposed legislation are incorporated cities, consolidated local governments, unified local governments, urban-county governments, charter county governments, and/or special fire district under Chapter 75. Therefore, KERS members are excluded from the proposed legislation. Additionally, based on the limited positions eligible, this proposed legislation would have a negligible impact on the CERS non-hazardous and SPRS funds.

Section VI: Detailed Actuarial Analysis and Projections *(May be attached as Appendix)*

Please see attached.



March 9, 2026

Mr. Ryan Barrow
Executive Director
Kentucky Public Pensions Authority
1260 Louisville Road
Frankfort, KY 40601

Re: Actuarial Analysis of House Bill 589 (House Committee Substitute 1) and its Financial Impact on the Systems Maintained by KPPA

Dear Mr. Barrow:

We have reviewed the proposed legislation HB 589 (House Committee Substitute 1), and the purpose of this letter is to communicate the actuarial analysis of this legislation in regards to the five Systems administered by the Kentucky Public Pensions Authority (KPPA).

Summary of Provisions of Proposed Legislation and Fiscal Impact

The proposed legislation allows an employer to hire individuals as firefighters who have retired from the Kentucky Employees Retirement System (KERS), the County Employees Retirement System (CERS), or the State Police Retirement System (SPRS). These reemployed retirees would continue to receive all retirement and insurance benefits under the applicable retirement system, and they would not accrue any additional benefits for their employment.

The employer would only pay the normal cost contributions on the payroll of the reemployed retirees. Under current statutes, employers are required to pay the full employer contribution rates. Given the current financial condition of the retirement systems administered by KPPA and the relative ease for a retiree to seek reemployment and continue to receive their retirement benefit, we recommend the retirement systems continue collecting the full employer contribution rate on the payroll of reemployed retirees. However, since a reemployed retiree is no longer earning benefits in the System (i.e. not incurring a normal cost), it would be financially neutral to the System if the employer only contributed the unfunded accrued liability (UAAL) amortization cost portion of the total certified employer contribution rate.

Currently, the normal cost rates are less than the UAAL amortization rates for the pension funds. Therefore, receiving a contribution rate that is less than the UAAL amortization rate, as provided in this version of the proposed legislation, would increase the financial burden on the remaining employers in the System. In other words, since the full amortization cost would no longer be paid on the payroll of the covered positions held by the reemployed firefighters, these contributions would be spread over the payroll of the remaining employers.

For the CERS hazardous fund, this would result in an approximate increase of 0.16% of pay in the employer contribution rate for every \$10 million in reemployed retiree firefighter payroll (or approximately 125 firefighter positions) affected by the legislation. In fiscal year 2025, there were 112 reemployed retirees in firefighter positions in CERS.

Firefighters in KERS are employed under the Department of Military Affairs. The employers eligible under the proposed legislation are incorporated cities, consolidated local governments, unified local governments, urban-county governments, charter county governments, and/or special fire district under Chapter 75. Therefore, KERS members are excluded from the proposed legislation. Additionally, based on the limited positions eligible, this proposed legislation would have a negligible impact on the CERS non-hazardous and SPRS funds.

Additionally, a lower contribution rate on the payroll of a reemployed retiree may result in increased anti-selection against the System where employers decide to hire a reemployed retiree rather than an active member in order for the employer to reduce their pension cost.

Additional Provisions of Proposed Legislation

In order to qualify under the proposed legislation, the reemployed retiree must have:

- Participated in the Firefighters Foundation Program fund under KRS 95A.200 to 95A.300, or retired as a firefighter under KRS Chapter 95;
- Retired with at least twenty (20) years of service credit;
- Been separated from service for the period required in KRS 61.637 and 78.5540 so that the member's retirement is not voided;
- Retired with no administrative charges pending; and
- Retired with no preexisting agreement for reemployment between the individual and the employer prior to the individual's retirement.

The proposed legislation also provides certain restrictions on the number of firefighters an employer can employ under these statutes based upon the size of the employer.

Basis of Calculations

Except where noted, the calculations are based on the demographic data, methods, assumptions, and plan provisions documented in the actuarial valuation as of June 30, 2025, as well as additional information provided by KPPA staff for the purposes of this analysis. Our calculations are based upon assumptions regarding future events, which may or may not materialize. Depending on actual plan experience, actual results could deviate significantly. The estimated impact on the unfunded liability and employer contributions are reliant upon the estimated members affected by the proposed legislation. If the actual members affected differs significantly, the actual impact on the retirement systems maintained by KPPA could be significantly different.

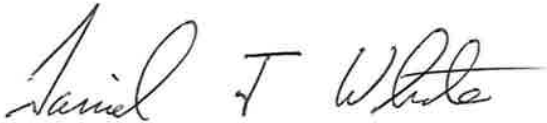


We are not attorneys, and we cannot provide a legal opinion regarding the changes in this proposed legislation. Nothing in this letter should be construed as providing legal, investment or tax advice. In instances we provide comment on certain provisions, our purpose is to educate stakeholders of possible unintended consequences based on our experience working with systems in other states.

All three of the undersigned are members of the American Academy of Actuaries and meet all of the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. In addition, all three are independent of KPPA and are experienced in performing valuations for large public retirement systems.

Sincerely,

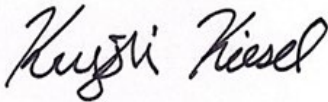
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